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FEDERAL COMMUNICATIONS COMMISSION
OFFICE OF THE SECRETARY

Marlene H. Dortch, Secretary
Federal Communications Commission
The Portals
445 12th Street, S.W., TW-A325
Washington, DC 20554

Re: Updated Calculation of Intermediate Period Payments Adjusted to $.238/Call, Implementation of the Pay Telephone Reclassification and Compensation Provisions of the Telecommunications Act of 1996, CC Docket No. 96-128

Dear Ms. Dortch:

In this letter, the American Public Communications Council ("APCC") updates information previously submitted, which showed the insufficiency of dial-around compensation received by independent payphone service providers ("PSPs") during the Intermediate Period (October 7, 1997 – April 21, 1999) to recover the costs of marginal payphones.

In an ex parte letter submitted March 26, 2001, APCC reported the average monthly compensation payments per payphone collected by APCC Services, Inc., on behalf of independent PSPs during 1998, when the $.284 per call compensation rate was in effect. Retroactive Adjustment of Interim Compensation, Ex Parte Letter to Dorothy Attwood from Albert H. Kramer and Robert F. Aldrich (March 26, 2001)("Retroactive Adjustment Ex Parte"). Based on the ratio of average payphone call volume (159 calls per month) to marginal payphone call volume (142), APCC then estimated that actual monthly payments at marginal payphones during the Intermediate Period ("actual payments") averaged $27.55 per payphone – substantially less than the $33.80 needed to recover the share of fixed payphone costs that the Commission allocated to dial-around calling in the *Third Payphone Order*. Retroactive Adjustment Ex Parte at 5. *See also Implementation of the Pay Telephone Reclassification and Compensation Provisions of the Telecommunications Act of 1996*, Third Report and Order and Order on Reconsideration of the Second Report and Order, 14 FCC Rcd 2545, 2571, 2579, 2614 n.302, 2632 (1999)("*Third Payphone Order*"), *aff'd*, *American Pub. Com. Council v. FCC*, 215 F.3d 51 (D.C. Cir. 2000).

APCC further showed that requiring independent PSPs to refund all 1998 payments in excess of $.238 per call would further aggravate the independent PSPs' cost recovery

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shortfall. After a refund, the payments for marginal payphones ("adjusted payments") would average only $23.09 per payphone per month,

The information submitted today provides more precise estimates of the actual and adjusted payments for the Intermediate Period. The method of calculating the cost recovery shortfall is essentially the same as in the earlier submission. The payment data has been updated, however, to reflect additional payment information reported since the previous estimates were developed. In addition, the period covered by the estimates has been expanded to include the fourth quarter of 1997 and the first quarter of 1999, in addition to the full year 1998 previously used as the basis for demonstrating independent PSPs' cost recovery shortfall. Finally, the estimate of adjusted payments has been corrected to reflect the fact that a substantial portion of the payments made for the Intermediate Period were made at the $.238 rate rather than the $.284 rate.[1]

The results are shown in Attachment 1 to this letter. Table 1 shows actual payments made during the Intermediate Period. The updated estimate of the average monthly payment for a marginal payphone is $26.49 per payphone per month. Table 2 shows the adjusted payments that would remain after a refund of the difference between the $.284 and $.238 rates. The updated estimate of the average adjusted payment per payphone per month is $22.70 per payphone per month. These revised estimates are somewhat less than those submitted in March 26, 2001.

Sincerely,

Albert Kramer by RFA

Albert H. Kramer
Robert F. Aldrich

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[1] After the *Third Payphone Order* was issued, many carriers made all their payments at the $.238 rate, even if the payments related to calls placed during the Intermediate Period before the $.238 rate established by the *Third Payphone Order* took effect. For example, when making payments on July 1, 1999 for 1Q99, as well as back payments for earlier quarters, many IXCs paid at the $.238 rate.

ATTACHMENT 1

Intermediate Period Compensation Payments of Independent PSPs Pre- and Post- Refund

TABLE 1

ACTUAL INTERMEDIATE PERIOD COMPENSATION PAYMENTS COLLECTED BY APCC SERVICES, INC.

		4Q97	1Q98	2Q98	3Q98	4Q98	1Q99	Total/Avg.
(1)	Total payments adjusted to $.238/call	$25,816,000	$32,638,000	$39,499,000	$40,068,000	$35,757,000	$30,892,000	$204,670,000
(2)	ANIs submitted for payment	360,417	378,822	401,993	403,751	392,439	387,941	2,325,363
(3)	Avg. payphone: payments/ phone @ $.238/call ((1)/(2))	$71.63	$86.16	$98.26	$99.24	$91.11	$79.63	$88.02
(4)	Avg. payphone: payments/ phone/month @$.238/call ((3)/3)	$25.54	$28.72	$32.75	$33.08	$30.37	$26.54	$29.66
(5)	Marginal payphone: payments/ phone/month (142/159 * (4))	$22.81	$25.65	$29.25	$29.54	$27.12	$23.71	$26.49

[1] For 4Q97, Line (3) was multiplied by 92/86 and then divided by three, to reach average payments/phone/month. This adjustment was made because the Intermediate Period included only 86 of the 92 days in that quarter.

TABLE 2

INTERMEDIATE PERIOD COMPENSATION PAYMENTS ADJUSTED TO $.238/CALL COLLECTED BY APCC SERVICES, INC.

		4Q97	1Q98	2Q98	3Q98	4Q98	1Q99	Total/Avg.
(1)	Total payments adjusted to $.238/call	$21,634,000	$27,604,000	$33,391,000	$34,175,000	$30,649,000	$27,952,000	$175,405,000
(2)	ANIs submitted for payment	360,417	378,822	401,993	403,751	392,439	387,941	2,325,363
(3)	Avg. payphone: payments/ phone @ $.238/call ((1)/(2))	$60.02	$72.87	$83.06	$84.64	$78.10	$72.05	$75.43
(4)	Avg. payphone: payments/ phone/month @$.238/call ((3)/3)**[1]**	$21.40	$24.29	$27.69	$28.21	$26.03	$24.02	$25.42
(5)	Marginal payphone: payments/ phone/month (142/159 * (4))	$19.11	$21.69	$24.73	$25.20	$23.25	$21.45	$22.70

[1] For 4Q97, Line (3) was multiplied by 92/86 and then divided by three, to reach the average payments/phone/month. This adjustment was made because the Intermediate Period included only 86 of the 92 days in that quarter.